

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. GCU-02-2
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FINAL DECISION AND ORDER

(Issued September 13, 2002)

I. STATEMENT OF THE CASE

On June 10, 2002, Interstate Power and Light Company (IPL) filed with the Utilities Board (Board) an application pursuant to Iowa Code chapter 476A for a generating facility certificate to construct and operate a combined-cycle, natural gas fueled, combustion turbine electric generating facility with a nameplate capacity of 632.4 MW. The proposed facility is called the Power Iowa Energy Center (PIEC) and is located in Cerro Gordo County near Mason City, Iowa. IPL filed amendments to its application on August 7 and 13, 2002, including a generation interconnection study performed for three potential points of interconnection. IPL held the informational meeting required by 199 IAC 24.7 on June 5, 2002, in Mason City and proof of publication of notice of the meeting was filed.

On July 12, 2002, the Board docketed IPL's application, established a procedural schedule, and granted waivers to allow for an expedited procedural

schedule. The order also required IPL to file the results of its generator interconnection and load flow and facilities studies.

Notice of the filing was mailed to all owners and lessees of real property located within 1,000 linear feet of the proposed site pursuant to Iowa Code § 476A.4(2)"c" (2001 Supp.), as listed in IPL's application. In accordance with Iowa Code § 476A.4(3), notice was published and proof of publication filed.

There are four other parties to this proceeding: the Consumer Advocate Division of the Department of Justice (Consumer Advocate), the Iowa Consumers Coalition (ICC), Ag Processing Inc., and CPV Highlands, L.L.C. (CPV). IPL filed the testimony of five witnesses with its application. None of the other parties filed testimony. Consumer Advocate filed a statement on August 6, 2002, indicating it did not oppose granting the certificate if it were conditioned upon IPL "receiving all appropriate transmission interconnection, transmission service and other transmission related authorizations currently and prospectively required prior to operating the proposed plant on the transmission system." IPL has accepted those conditions in the "Joint Statement of Issues" filed on August 12, 2002.

On August 21, 2002, IPL filed a motion to cancel the hearing scheduled for August 26, 2002. IPL in its motion said it contacted all other parties and was authorized to state that none of the parties required an evidentiary hearing. On August 22, 2002, the Board issued an order canceling the hearing and setting a briefing schedule. The Board cancelled the hearing because no one had questions on cross-examination for IPL's witnesses.

IPL and Consumer Advocate filed initial briefs on September 3, 2002. No reply briefs were filed.

II. DISCUSSION OF THE EVIDENCE

The proposed PIEC will be a combined cycle electric generating plant with a nameplate capacity of 632.4 MW. The facility will be built on a site owned by IPL. The prime sources of electricity generation will be two combustion turbines with nameplate capacity of 188.7 MW each and one 255 MW nameplate capacity steam turbine-generator. Based on the nameplate ratings, less auxiliary loads and losses, the facility will be capable of producing approximately 599 MW. The PIEC is expected to operate in intermediate load service with an estimated capacity factor of 30 to 60 percent, generating at an average output of 500 MW.

The PIEC will have black-start capability from five diesel generators. The facility will be solely owned by IPL and all of the output will be available for supply to IPL's system in accordance with the system coordination and operating agreement approved by the Federal Energy Regulatory Commission. IPL plans to begin site preparation this October and have the plant ready for commercial operation in June 2004.

IPL's filing maintains that the PIEC will provide positive benefits to IPL's customers. The primary benefits are: 1) adding 632.4 MW of nameplate capacity to assist IPL in meeting its projected need for intermediate capacity; 2) enhanced reliability for the IPL system; 3) additional voltage support for the regional

transmission grid; and 4) increased reliability for the Mason City area because of the "black-start" capability. Black-start capability means the generating facility can be independently restarted and used to restore service to IPL's system in the event of a widespread outage on the area's transmission grid. (Struss Testimony, p. 14; Application, Sections 1.5.1 and 1.8).

IPL also points out the economic benefits provided by the PIEC. During the peak construction period, IPL said the project would create approximately 400 jobs, generate approximately \$78.5 million of direct expenditures for goods and services, and have a payroll of approximately \$31 million. When completed, the plant will employ about 20 persons full-time with an annual payroll of \$1.7 million. Annual expenditures for non-fuel goods and services to operate and maintain the facility are expected to be about \$2.5 million. The PIEC will also increase the property tax base, thereby directly benefiting local school districts. (Halil Testimony, as corrected, p. 5; Application, Section 3).

III. ANALYSIS

Iowa Code chapter 476A (Supp. 2001) is the applicable chapter dealing with electric power generating certificates. 2001 Iowa Acts, House File 577, significantly amended this chapter. Among other things, House File 577 changed the decision criteria the Board examines in a certification or siting proceeding.

Prior to the enactment of House File 577, Iowa Code § 476A.6 listed six criteria for the Board to examine in determining whether to issue a generating

certificate. Three of the criteria only applied to public utilities. These three criteria were whether the applicant, if a public utility, had 1) a comprehensive energy management plan, 2) considered sources of supply from either purchase of electricity or investment in facilities owned by others, and 3) considered all feasible alternatives to the proposed facility including nongeneration alternatives.

The other three criteria applied to all applicants. The first criterion was that the proposed facility is required by the present or future public convenience, use, and necessity. The second criterion was that the applicant was willing to abide by the terms of the certificate. The final criterion applying to all applicants was that the proposed facility would cause minimum land use, environmental, and aesthetic impact.

House File 577 eliminated the criteria applying only to public utilities and modified the criteria applicable to all applicants. Now, there are three statutory decision criteria and those criteria apply to both public utility and non-public utility applicants. The decision criteria in Iowa Code § 476A.6 (2001 Supp.) are:

1. The services and operations resulting from the construction of the facility are consistent with legislative intent as expressed in section 476.53 and the economic development policy of the state as expressed in Title I, subtitle 5, and will not be detrimental to the provision of adequate and reliable electric service.

2. The applicant is willing to construct, maintain, and operate the facility pursuant to the provisions of the certificate and this subchapter.

3. The construction, maintenance, and operation of the facility will be consistent with reasonable land use and

environmental policies and consonant with reasonable utilization of air, land, and water resources, considering available technology and the economics of available alternatives.

The first criteria provides for the Board to examine three factors, legislative intent expressed in Iowa Code § 476.53 (2001 Supp.), economic development policy as expressed in Title I, Subtitle 5, and whether the facility will be detrimental to the provision of adequate and reliable electric service. The proposed facility is consistent with the legislative intent expressed in Iowa Code § 476.53 (Supp. 2001). This section provides, in part, that:

It is the intent of the general assembly to attract the development of electric power generating and transmission facilities within the state in sufficient quantity to ensure reliable electric service to Iowa consumers and provide economic benefits to the state.

The PIEC will make a significant contribution to economic development. Not only is the provision of adequate and reliable electric service a key component of the state's infrastructure, but also the PIEC will generate 400 jobs at the peak of construction as well as provide permanent employment and tax revenue. IPL has established that construction and operation of the facility is consistent with the economic development policy of the state.

IPL has also established that the proposed facility will not be detrimental to the provision of adequate and reliable electric service. The facility adds significant generation for IPL's system and enhances the reliability and capability of the regional transmission system. In addition, this new generation will help address

voltage support needs and provide black-start capability that can be used to restore IPL's system in the event of a widespread outage on the transmission grid in the region.

One of the most important determinations for the Board to make under the first criterion will be the impact of the generation facility on area transmission facilities. Here, not only does it appear from the generation interconnection study performed by an engineering firm hired by IPL that there is no negative impact, but in fact the added generation will allow IPL to enhance reliability because of the favorable location of the facility with respect to the transmission grid.

Although all the evidence to date demonstrates that the facility will have a positive impact on the regional transmission system, the Midwest Independent System Operator (MISO) has not completed its interconnection transmission study. IPL has committed to performing any transmission system upgrades required by MISO. (Strauss Testimony, p. 12). As agreed to by IPL and Consumer Advocate, the Board will condition any certificate upon IPL receiving all appropriate transmission interconnection, transmission service, and other transmission related authorizations currently and prospectively required prior to operating the proposed plant on the transmission system. IPL will be required to perform any transmission system upgrades required by MISO. IPL will also be required to file a copy of any MISO studies with the Board.

IPL has consistently expressed its willingness to comply with the provisions of a certificate and the requirements of Chapter 476A. IPL's assertions were not

challenged and therefore IPL has satisfied the second statutory criteria. (Mineck Testimony, p. 8).

The third criterion deals with land use and environmental impacts. The proposed addition is being constructed on land owned by IPL that is currently used for production of row crops. IPL intends to return 20 acres of the site to agricultural use to minimize the facility's impact. Investigations have confirmed that the site does not contain significant habitat for wildlife, or significant undisturbed natural features, or sensitive resources such as jurisdictional wetlands. (Application, Sections 3.4 and 3.5). IPL has committed to obtain all applicable local, state, and federal permits prior to construction or operation of the PIEC. (Arnold Testimony, p. 7; Struss Testimony, p. 5).

The environmental portion of the third criterion is similar to that under the prior law. With respect to environmental matters, the Board has traditionally deferred to the Iowa Department of Natural Resources (IDNR) and found that issuance of applicable air quality, wastewater, and other necessary environmental permits by the IDNR establishes compliance with this criteria. Because all appropriate pre-construction permits have not been issued, a generating certificate cannot be issued. Iowa Code § 476A.5(1). Therefore, only a conditional finding of compliance with the third criterion can be made. A certificate for the generating unit will not be issued until IPL notifies the Executive Secretary of the Utilities Board that all appropriate pre-construction permits have been issued by applicable local, state, and federal

agencies. No additional hearing is required and the Board will issue the actual generating certificate subsequent to this notification.

IPL has assured the Board throughout this proceeding that it will meet all permit and licensing requirements of the various regulatory agencies that have jurisdiction over the construction, maintenance, and operation of the PIEC. (Arnold Testimony, p. 7; Struss Testimony, p. 5). IPL also stated in testimony and brief that it would not begin construction or operation of the PIEC without first obtaining the necessary preconstruction permits and approvals. (Id.; IPL Initial Brief, p. 16). Advance site preparation work, however, can commence immediately with the issuance of this decision. Iowa Code § 476A.9 (2001).

IV. FINDINGS OF FACT

1. It is reasonable to conclude that the proposed facility will, among other things, increase generation available to IPL's ratepayers, ease transmission constraints, create temporary and permanent jobs, and increase the local tax base such that it is consistent with Iowa's energy and economic development policies.

2. It is reasonable to expect that IPL will comply with any and all provisions of a certificate authorizing construction, operation, and maintenance of the proposed facility.

3. It is reasonable to conclude the proposed facility will have minimal land use and environmental consequences, considering available technology and the economics of available alternatives.

4. It is reasonable to conclude that if final pre-construction permits are issued, the proposed facility will satisfy air quality and wastewater standards and will have minimal environmental and land use consequences.

5. It is reasonable to condition a certificate upon IPL receiving all appropriate transmission interconnection, transmission service, and other transmission related authorizations currently and prospectively required prior to operating the proposed plant on the transmission system and performing any transmission system upgrades required by MISO.

V. CONCLUSIONS OF LAW

1. The Utilities Board has jurisdiction of the parties and the subject matter of this proceeding pursuant to the provisions of Iowa Code chapter 476A (Supp. 2001).

2. IPL, subject to the issuance of final pre-construction permits and filing of the MISO transmission study, has met the three statutory criteria contained in Iowa Code § 476A.6.

VI. ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. Pursuant to Iowa Code chapter 476A (Supp. 2001), Interstate Power and Light Company's application for a certificate to construct and operate a generating unit is granted, subject to final pre-construction permits being issued and the MISO transmission study being filed. A certificate will be issued once IPL notifies

the Board that final pre-construction permits have been issued and the MISO study filed. A certificate will be conditioned upon IPL receiving all appropriate transmission interconnection, transmission service, and other transmission related authorizations currently and prospectively required prior to operating the proposed plant on the transmission system, and performing any transmission system upgrades required by MISO. This order is the final decision of the Utilities Board in Docket No. GCU-02-2.

2. The Utilities Board retains jurisdiction of the subject matter in this docket to the extent provided in Iowa Code chapter 476A.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 13th day of September, 2002.